

Message Text

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ACTION EUR-25

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INFO AMEMBASSY BONN

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AMEMBASSY COPENHAGEN

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AMCONSUL BELFAST

AMCONSUL EDINBURGH

AMCONSUL LIVERPOOL

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E.O. 11652: N/A

TAGS: PINT, PGOV, UK

SUBJECT: LABOR'S LATEST BID FOR VOTES: NEW PENSIONS PROPOSAL

REF: LONDON 11080

1. WITH ONE EYE CLEARLY FIXED ON THE ANTICIPATED OCTOBER ELECTIONS, THE LABOR GOVERNMENT SEPTEMBER 11 ISSUED A WHITE PAPER PROPOSING A NEW PENSION PROGRAM. PRINCIPAL ADVANCES IN LABOR'S PROPOSAL INCLUDED: HIGHER PAYMENTS FOR SINGLE AND MARRIED PENSIONERS; INFLATION PROTECTION; FULL EQUALITY FOR WOMEN WORKERS; IMPROVED PROTECTION FOR

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WIDOWS AND INVALIDS; AND PROVISIONS FOR PARTNERSHIP

BETWEEN STATE AND PRIVATELY-FUNDED PENSION PLANS. LABOR, IF VICTORIOUS IN THE NEXT GENERAL ELECTION, PLANS TO PASS IMPLEMENTING LEGISLATION IN EARLY 1975, WITH FIRST PAYMENTS UNDER THE PLAN COMING IN APRIL 1978. ACCORDING TO THE WHITE PAPER, THIS PROPOSAL WOULD INCREASE GOVERNMENT PENSION OUTLAYS BY 27 MILLION POUNDS PER ANNUM (CURRENT PENSION COSTS REPORTED AT 5,627 MILLION POUNDS).

2. PENSION PAYMENTS WOULD BE BASED ON THE BEST TWENTY YEARS EARNINGS, PAYING ONE POUND PENSION FOR EACH POUND EARNED UP TO THE MINIMUM PENSION FIGURE (INITIALLY FIXED AT TEN POUNDS PER WEEK), PLUS TWENTY-FIVE PERCENT OF EARNINGS UP TO A FIXED CEILING (INITIALLY SEVENTY POUNDS). PENSIONS WOULD BE PAYABLE AT AGE 65 FOR MEN AND AT 60 FOR WOMEN.

3. TUC RESPONSE TO THIS PENSION SCHEME, AS WAS TO BE EXPECTED, HAS BEEN ENTHUSIASTIC. LEN MURRAY, TUC GENERAL SECRETARY, CALLED IT "A MILESTONE IN CIVILIZED PROVISION FOR THE ELDERLY, DISABLED AND WIDOWED." OTHER TUC OFFICIALS ECHO HIS SENTIMENTS AND BELIEVE THIS PROPOSAL WILL BOOST LABOR'S ELECTORAL PROSPECTS. THEY HAVE ALSO NOTED THAT PENSION SCHEME WAS PRODUCT OF EXTENSIVE STUDY AND INTERCHANGE BETWEEN THE PARTY AND TUC, IN CONTRAST TO CONSERVATIVES' HOUSING MORTGAGE PROPOSAL (REFTEL) WHICH THEY CHARACTERIZED AS "OFF THE CUFF". IN LATTER REGARD, A PARLIAMENTARY LABOR PARTY (PLP) OFFICIAL TOLD EMBOFFS THAT HE FEARED TORY PROPOSAL WILL ATTRACT MANY VOTERS, POINTING OUT THERE ARE SIX MILLION MORTGAGE HOLDERS IN THE UK AND THAT THEY, TOGETHER WITH THEIR FAMILIES, CONSTITUTE A POTENTIALLY POWERFUL ELECTORAL BLOC.

4. MEDIA RESPONSE TO PENSION PLAN HAS GENERALLY BEEN FAVORABLE, WITH SOME CAUTION EXPRESSED AS TO LONG TERM ECONOMIC IMPLICATIONS OF THE INFLATION PROTECTION PORTION OF THE PLAN WHICH COULD CONSTITUTE A MAJOR ECONOMIC BURDEN ON FUTURE GENERATIONS. THE TORIES, NOT SURPRISINGLY, ATTACKED THE PROPOSAL, CHARGING THAT IT IS FINANCIALLY UNSOUND. THE INSURANCE INDUSTRY, IT IS TO BE NOTED, HAS WELCOMED THE NEW PROPOSAL, ALTHOUGH WITH LIMITED OFFICIAL USE

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SOME RESERVATIONS.

5. COMMENT: AS REPORTED PREVIOUSLY, THE GOVERNMENT PLANS TO ISSUE A SERIES OF WHITE PAPERS IN THE PERIOD PRECEEDING THE ANTICIPATED FALL ELECTION. THE PENSION PROPOSAL COULD BE ONE OF THE MOST POLITICALLY ATTRACTIVE OF THESE PAPERS.
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